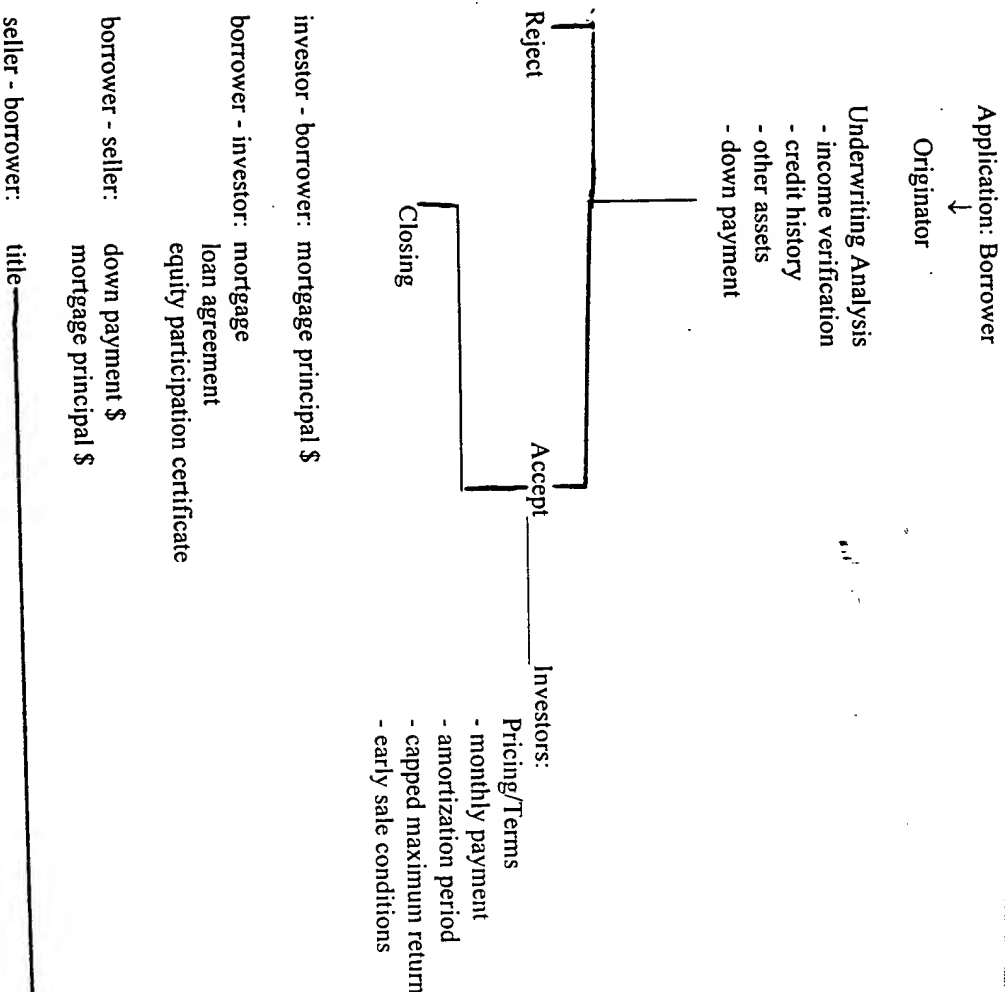


## I. Origination



## II. Amortization Period - months 1 through N

Payment (1) Borrower → Periodic Principal \$ - Servicer \$ - Investor repayment

- process  
- calculate avg amort. period principal  
(total monthly principal outstanding  
÷ # months since origination)

sale: i. determine realized appreciation  
(net sale price - purchase price)

ii. calculate maximum capped annual return  
(e.g., avg. amort. period index % + \_\_\_ %)

iii. multiply (ii.) by average annual principal

iv. divide proceeds

(e.g., if X = [ net sales price - purchase price - (ii)  
then borrower retains X)

→ final principal payment \$ → servicer \$ - investor

- process  
- recalculate avg amortization  
period principal

Payment (N)

## III. Post Amortization Period

sale: i. determine realized appreciation  
(net sale price - purchase price)

ii. calculate maximum capped annual return  
(e.g., avg. amort. period index % + \_\_\_ %)

iii. multiply (ii.) by average annual principal

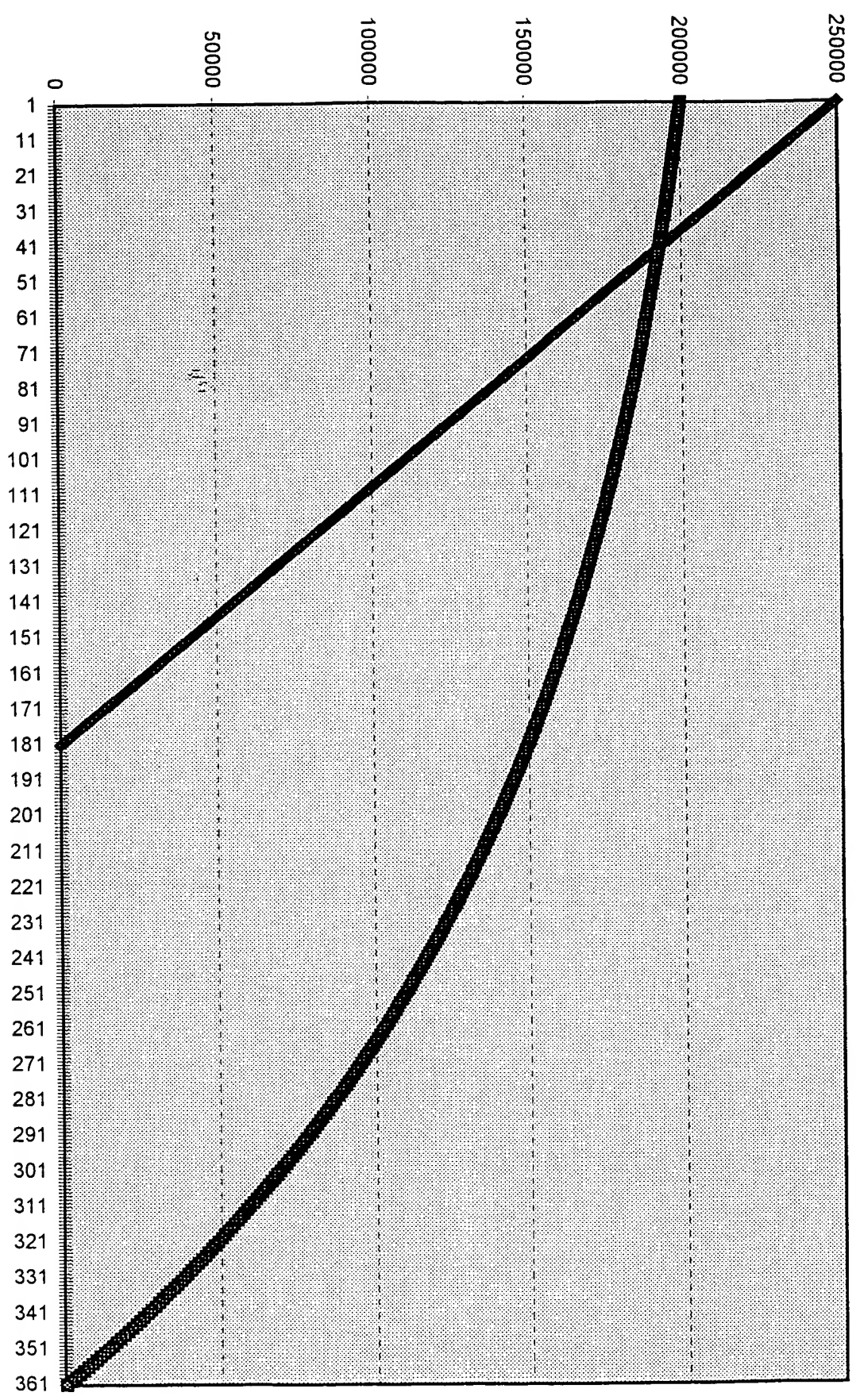
iv. divide proceeds

(e.g., if X = [net sales price - purchase price - (iii.)] > 0,  
then borrower retains X)

FIGURE 1

FIGURE 2

Figure 3: Principal Amortization - Equity Participation Mortgage v. 30-yr Fixed Rate @ 7.28%  
Original Principal Amounts with Same Monthly Payment



# FIGURE 3

## Median Sales Price of Existing Single Family Homes: 1968 - 1996

Source: National Association of Realtors, Existing Home Sales Survey

